ABSTRACT

The present invention relates to a method and system for offering a novel mandatorily convertible securities (e.g., DECS) by using a third party entity (either a corporate entity or a newly-formed independent trust) to: 1) issue and sell novel DECS to market investors; 2) obtain from a first entity shares of common stock in a second entity, or rights to receive such shares in the future, to satisfy the mandatory conversion requirement of the DECS; 3) sell or retain the rights to any residual value obtained after satisfying the obligation to DECS investors; and 4) use the proceeds from such sale or retained value to fund a portion of the DECS coupon. As compared to a traditional DECS, the use of the third party intermediary allows the first entity to: 1) recognize an accounting gain/loss on its underlying position in the second entity up front on the day of sale of the novel DECS; 2) avoid the creation of debt on the balance sheet of the first entity; 3) avoid any mark-to-market through the income statement each fiscal quarter, which would produce income statement volatility.